



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	HB0213	<b>Title:</b>	Establish SW Montana veteran's home
<b>Primary Sponsor:</b>	Sesso, Jon C	<b>Status:</b>	As Introduced

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$8,345,102
State Special Revenue	\$32,253	\$0	\$1,007,669	\$1,103,850
<b>Revenue:</b>				
General Fund	(\$977,029)	(\$986,661)	\$0	\$0
State Special Revenue	\$977,029	\$986,661	\$0	\$0
<b>Net Impact-General Fund Balance</b>	<u>(\$977,029)</u>	<u>(\$986,661)</u>	<u>\$0</u>	<u>(\$8,345,102)</u>

**Description of fiscal impact:** The bill forms a site selection committee, selects a site for a new veterans' home in southwest Montana, and directs the Department of Administration to include the project in the long range building program for the 62<sup>nd</sup> legislature. This bill distributes 1.2% of the cigarette tax revenue in fiscal years 2010 and 2011 to an account to fund the building of new veterans home.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Administration**

1. This fiscal note identifies Architecture and Engineering Division (A&E) costs and potential construction costs for a facility similar to Eastern Montana Veterans' Home (EMVH).
2. A&E will need .5 FTE (band 7) and a laptop computer in FY 2010 to meet the site selection committee obligations of section one. Additional FTE to support construction are not anticipated at this time. Personal services are calculated using the 2008 market analysis for Pay Band 7 Architect. Calculation is 75% of market rate and benefits are calculated at 30% of personal services. These costs will be paid by the

Montana board of veterans' affairs. Other operating expenses will be absorbed into Architecture and Engineering Division's operating budget.

3. Similar to Glendive's bid for the EMVH, the successful community will offer an appropriate parcel of land at no cost to the state; the parcel will be connected to all utilities and extension of utilities or roads is not included in the construction estimate.
4. The 62<sup>nd</sup> legislature will authorize the project and A/E will expend 9% for design and bidding in FY 2012 and obligate 91% for construction in FY 2013.
5. Eastern Montana Veterans' Home (EMVH) was constructed in 1993 at a cost of \$5,572,320. The southwestern Montana veterans' home will be a comparable facility with the similar costs. Inflation from 1993 to 2012 increases the project cost 185% to \$10,308,792. No cost adjustment is factored for variation of construction costs based on location. Other unquantifiable factors such as site conditions, scope adjustments, changes in code requirements and user expectations may affect the project costs.
6. This project will be funded with 100% state funds and no federal or other non-state funds will be committed. The first source of funding will be the account established in Section 2 of the bill. After those funds are exhausted, general fund will fund the remaining expenditures.
7. Construction funds provided for by 16-11-119(1)(b) will be supplemented by the general fund.

**Department of Public Health and Human Services**

8. The Department of Public Health and Human Services (DPHHS) will not incur any costs during the 2011 biennium due to this bill.
9. Neither the size nor type of veterans' home is established in this bill. For purposes of estimating costs, it is assumed this will be a 50 bed skilled nursing facility.
10. The Southwestern Veterans' Home will be a contracted state veterans facility based on the Section 4 provisions to continue operation and maintenance, and will not be state operated. The state cost for operation of this facility is limited to passing through the reimbursement received from the VA for each patient in the facility. The VA reimbursement is \$74.42 per day based on FY 2009 rates.
11. Senior and Long Term Care Division (SLTC) will require 1.00 FTE in FY 2013 for an on-site liaison, in order to receive Federal VA funding. The cost of salary and benefits for this level 06 program manager is \$63,484.
12. In FY 2012, SLTC will require 1.00 FTE to coordinate the construction of the new veterans' home and oversee the three state veterans' homes. The cost of salary and benefits for this level 07 program manager is \$74,678.
13. Operating expenses include a one time only \$1,400 computer expense and \$1,200 work station expense per FTE at the time of hire, with one starting in FY 2012 and one starting in FY 2013, and \$2,600 per year in telephone expenditures.
14. On going maintenance of the building and physical plant will cost approximately \$300,000 per year beginning in the first year of operation, 2014. This estimate is based upon the costs of maintaining the Eastern Montana Veterans' Home.
15. It is assumed the facility's ongoing operating costs will be funded from the cigarette tax. This will decrease the revenue into the general fund in the future as the fund balance in excess of \$2 million is transferred to the general fund at the end of each fiscal year.
16. In the 2013 biennium the general fund and state special funds used to build the new veteran's home will be transferred to the long range building account and spent from that account for construction. This transfer is not shown in the fiscal impact sections to keep the material transactions understandable.

**Department of Revenue**

17. Under Current law, 8.3% of cigarette tax revenue is distributed to the Department of Public Health and Human Services for the operation of state veterans' nursing homes, 2.6% to the long range building account, and 44% to the state special revenue account for health and Medicaid Initiatives, with the

remainder deposited in the state general fund. 45.1% of total cigarette tax revenue is deposited in the state general fund ( $1 - 0.083 - 0.026 - 0.44 = 0.451$ ).

18. The official revenue estimates project that in FY 2010, \$36.720 million of cigarette tax revenue will be deposited in the state general fund and in FY 2011 this amount will be \$37.082 million.
19. Using the distributions in assumption #17, the revenue deposited in the state general fund is only 45.1% of the total cigarette tax revenue. Total cigarette tax revenue would be \$81.419 million in FY 2010 ( $36.720 / 0.451 = 81.419$ ) and \$82.222 million in FY 2011 ( $37.082 / 0.451 = 82.222$ ).
20. This bill distributes 1.2% of the total cigarette tax revenue in FY 2010 and FY 2011 to an account to build a state veterans' nursing home in southwestern Montana.
21. The account set up for the southwestern Montana veterans' nursing home would receive \$0.977 million in FY 2010 ( $81.419 \times 0.012 = 0.977$ ) and \$0.987 million in FY 2011 ( $82.222 \times 0.012 = 0.987$ ). General fund revenue would decrease by the same amount.
22. Adjusting the distributions of cigarette tax revenue would require modifications to GenTax, the software used by the department to administer state taxes. These modifications would require 40 hours of development and 40 hours of testing. The system costs would be covered under the existing maintenance contract. The staff working on these changes would be redirected from other duties.

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
FTE	0.50	0.00	1.00	2.00
<b><u>Expenditures:</u></b>				
Personal Services	\$30,053	\$0	\$74,678	\$140,029
Operating Expenses	\$2,200	\$0	\$5,200	\$7,800
Capital Projects	\$0	\$0	\$927,791	\$9,381,001
<b>TOTAL Expenditures</b>	<b><u>\$32,253</u></b>	<b><u>\$0</u></b>	<b><u>\$1,007,669</u></b>	<b><u>\$9,528,830</u></b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$8,345,102
State Special Revenue (02)	<u>\$32,253</u>	<u>\$0</u>	<u>\$1,007,669</u>	<u>\$1,103,850</u>
<b>TOTAL Funding of Exp.</b>	<b><u>\$32,253</u></b>	<b><u>\$0</u></b>	<b><u>\$1,007,669</u></b>	<b><u>\$9,448,952</u></b>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$977,029)	(\$986,661)	\$0	\$0
State Special Revenue (02)	<u>\$977,029</u>	<u>\$986,661</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL Revenues</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$977,029)	(\$986,661)	\$0	(\$8,345,102)
State Special Revenue (02)	\$944,776	\$986,661	(\$1,007,669)	(\$1,103,850)

**Effect on County or Other Local Revenues or Expenditures:**

1. Local communities may choose to expend funds submit proposals for consideration.

2. Local communities may choose to offer land, extension of city services, or other enticements to improve their chance of being selected as the location for the southwestern Montana veterans' home.
3. Communities will see an increase in construction activity in about 2013 and 2014 and will have additional jobs once the facility opens.

**Long-Term Impacts:**

1. The new facility will have operational and maintenance costs depending on level of care provided and occupancy.
2. It is assumed the facility's ongoing operating costs will be funded from the cigarette tax. This will decrease the revenue into the general fund in the future as the fund balance in excess of \$2 million is transferred to the general fund at the end of each fiscal year.

**Technical Notes:**

1. Section 4 provides for financial support for continued operations and maintenance for EMVH and southwestern Montana, but does not include the Montana Veterans' Home in Columbia Falls.
2. 53-1-402(2) would need to be amended to include the proposed SW facility
3. The change in 53-1-413 from home to homes would not be necessary as 53-1-402 authorizes the contractor to bill and recover those funds.
4. Section 5 deposits revenue from cigarette taxes into a state special revenue fund. Because these funds will be used for a major capital project the funds should be deposited in the Long Range Building capital projects fund (05007). The fiscal impacts reflect the use of the capital projects fund rather than a state special revenue except for the funding of the .50 FTE.
5. Scope and size of the project are not defined at this time.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*